

PUBLIC DISCLOSURE

August 10, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Belmont Savings Bank

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NOTE: This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Belmont Savings Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **August 10, 2011**. The agencies evaluate the Bank’s performance in the assessment area, as it is defined by the institution. The Division and the FDIC evaluate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

This evaluation assessed the Bank's performance utilizing the Federal Financial Institutions Examination Council's ("FFIEC") "Intermediate Small Bank" ("ISB") procedures. The assigned rating is based on the results of two performance tests: The Lending Test, and the Community Development Test. The Bank achieved a satisfactory rating in both tests. A summary of the Bank's performance is provided below:

Lending Test

- The Bank's average quarterly net LTD ratio was 114 percent during the review period. The institution's average loan-to-deposit (LTD) ratio is considered more than reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and the credit needs within the assessment area.
- A majority of the Bank's home mortgage and small business loans, by number, were originated in the institution's assessment area. Overall, the Bank originated 59.8 percent of its loans inside the assessment area. The Bank originated 59 percent of its residential loans and 64.3 percent of its small business loans inside the area. While this performance is considered good, the overall dollar amount was less than 50 percent. The overall performance was negatively impacted by the 2010 residential portfolio. The decline in dollar amount was primarily influenced by economic conditions and competition.
- Overall, the institution's geographic distribution reflects reasonable dispersion throughout the assessment area. During the evaluation period, 2009 and 2010 (combined), the Bank originated 5.7 percent of its home mortgage loans in moderate-income census tracts. The number of loans and the percentage of loans in the area's moderate-income tracts increased from 2009 to 2010. The geographic distribution of the Bank's small business loans reflected poor dispersion throughout the assessment area. In total, the Bank originated 1.9 percent of small business loans in moderate-income census tracts.
- Given the demographics of the assessment area, the institution's distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low-and moderate-income), and businesses of different sizes. The Bank exceeded the aggregate performance in 2009 to both low-income and moderate-income borrowers. A review of the small business loans also revealed reasonable performance, as a majority of the loans were made to businesses with gross annual revenues (GARs) under \$1 million and in amounts under \$250,000.
- There were no CRA-related complaints received during the evaluation period.

Community Development Test

The institution's community development performance demonstrated an adequate responsiveness to the community development needs of its assessment area. The performance within this test was primarily influenced by the institution's community development lending activity and community development services. The Bank also had some qualified investments. The following conclusions support the assigned rating.

Community Development Lending

During the evaluation period, the Bank originated approximately \$6.3 million in qualified community development loans.

Community Development Investments

Investments during the time period totaled \$143,338. It consisted of a deposit in a community development financial institution (CDFI) and qualified charitable donations as well as grants.

Community Development Services

The Bank was involved in community development organizations within its designated assessment area. Officers and employees, as well as Directors, participated in community development organizations which provide services primarily to low- and moderate-income individuals and families. The Bank also participated in several financial education initiatives targeted toward first-time homebuyers. The Bank is active in affordable housing initiatives targeting low- and moderate-income individuals and families.

SCOPE OF EVALUATION

The Division and the FDIC jointly assessed the Bank's CRA performance utilizing ISB CRA examination procedures. These procedures require two performance tests: the Lending Test, and the Community Development Test. This evaluation considered the Bank's lending and community development activities for the period October 3, 2007 through August 10, 2011. The data and applicable timeframes for the two tests are discussed below.

The evaluation considered the Bank's home mortgage loans originated in 2009, 2010, and 2011 (through June 2011). Under the CRA, a home mortgage loan includes a home purchase, home improvement, or refinancing of a dwelling-secured loan. Home mortgage loans were reported pursuant to the Home Mortgage Disclosure Act ("HMDA"). Data was obtained from the Loan Application Register ("LAR"). Home mortgage aggregate lending data for 2009 was utilized for comparative purposes. Aggregate lending data includes all home mortgage loan originations in the Bank's assessment area by financial institutions subject to HMDA. To ensure consistency when making performance comparisons with other institutions having loan activity in the assessment area, loan purchases were included in the aggregate lending data because the Bank purchased HMDA loans during the review period. The 2009 and 2010 lending data is included in the respective tables; however, home mortgage lending data for year-to-date (YTD) 2011 may be included in the tables, or presented in narrative, to highlight significant trends.

The evaluation also considered small business loans originated in 2009, 2010, and YTD 2011. Small business loans, for the purposes of this evaluation, include commercial real estate loans, and commercial and industrial loans, with original balances of \$1 million or less that are disclosed on the Bank's Consolidated Report of Condition and Income. Information concerning small business loans was obtained pursuant to the CRA reporting requirements using the Bank's Loan Register (LR). Although the Bank collects and reports the applicable small business loan data, the Bank is not required to do so. The 2009 and 2010 small business lending data is included in the respective tables; however, for YTD 2011, small business lending may be included in the tables, or presented in narrative, to highlight significant trends. The Bank did not engage in small farm lending during the evaluation period. Additionally, consumer lending was minimal and the Bank did not request a review of its consumer loans. Neither product line was subject to review for the evaluation period.

Given the lending volume of the Bank's home mortgage loans, more weight was assigned to home mortgage lending activity in assessing the Bank's CRA performance. The Bank's primary lending focus during this evaluation period was the origination of home mortgage loans. The Bank's loans were reviewed based on the number, and the dollar amount of the loans. The number of loans is weighed more heavily than the dollar volume because the number of loans is less likely to have been influenced by factors such as applicant income level, or by varying housing values, and business size, within the Bank's assessment area. If dollar volume was emphasized, higher income borrowers, or geographical areas, would appear to receive a larger percentage of loans simply because each loan is likely to be larger.

Qualified community development loans, investments, and services were generally reviewed from the date of the prior evaluation, October 3, 2007, to the current date of the examination, August 10, 2011.

Demographic data utilized during the CRA evaluation was obtained from the 2000 United States (U.S.) Census unless otherwise noted.

PERFORMANCE CONTEXT

Description of Institution

Belmont Savings Bank is a full service bank incorporated under the laws of the Commonwealth of Massachusetts. As of June 30, 2011, the Bank had total assets of approximately \$550 million, of which \$418 million, or 76 percent, was in the form of loans. Using the quarterly Call Report from June 30, 2011, 1-4 family residential loans represented 55.2 percent of the Bank's loan portfolio, and commercial loans represented 18.6 percent. The Bank is currently diversifying its loan portfolio and shifting its focus towards commercial lending. Table 1 illustrates the Bank's loan portfolio as of June 30, 2011.

Table 1 – Loan Portfolio Distribution as of June 30, 2011		
Loan Type	Dollar Volume \$(000)	Percentage of Total Loans
Construction and Land Development	15,751	3.8
Revolving Open-end 1-4 Family Residential	42,134	10.1
Closed-end 1-4 Family Residential First Lien	187,778	44.9
Closed-end 1-4 Family Residential Junior Lien	714	0.2
Multi-family Residential	40,125	9.6
Commercial Real Estate	63,174	15.1
Commercial and Industrial Loans	14,953	3.5
Consumer Loans	53,453	12.8
Total	418,082	100.0

Source: June 30, 2011 Consolidated Report of Condition

The Bank's main office is located at 2 Leonard Street in Belmont, Massachusetts. In addition to its main office, the Bank operates three branch locations: two in Belmont and one in Watertown. All branch offices are considered full service locations. The main office, and the 277 Trapelo Road branch, offer drive-up and lobby services. The Watertown and 78 Trapelo Road branches do not have drive-up services. All offices are open until 6:00 p.m. on Friday, and Saturday hours are from 9:00 a.m. to 1:00 p.m. Each office is equipped with an Automatic Teller Machine (ATM). The Bank did not close or open a branch office during the evaluation period.

The Bank currently offers a variety of residential, consumer, and commercial credit products. These products include first mortgage loans on 1-4 family, multi-family, and non-owner occupied dwellings; commercial loans; educational loans; second mortgage loans; home equity loans; construction and rehabilitation loans; unsecured signature loans; secured and unsecured installment loans; and automobile loans. The Bank also offers numerous deposit services for consumers and businesses.

Belmont Saving Bank offers its retail customers a variety of financial services, including Internet account access; online bill payment; e-bills; e-statements; and FinanceWorks, a budget management tool powered by *Quicken*. The Bank's Internet website, www.belmontsavings.com, provides detailed information on products and services offered to both consumers and business customers. Additionally, the Bank offers online access for customers to apply for a residential mortgage loan.

There are no significant financial or legal impediments that limit the Bank's ability to help meet the credit needs of its assessment area. However, the Bank operates in a highly competitive environment which includes several locally-based institutions, Watertown Savings Bank, Cambridge Savings Bank, The Village Bank, and East Cambridge Savings Bank, as well as a number of large national banks, credit unions, and mortgage companies. In 2009, 342 lenders reported home mortgage loan originations in the Bank's assessment area. The 2009 aggregate market share reports indicate that Belmont Savings Bank ranked 29th out of all HMDA-reporters throughout its assessment area.

The Bank was last examined for compliance and CRA jointly by the Division and the FDIC on October 3, 2007. That examination resulted in an overall CRA rating of Satisfactory.

Description of Assessment Area

The CRA requires a financial institution to define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated.

The Bank delineated a contiguous assessment area consisting of 58 census tracts within Massachusetts. The assessment area consists of six municipalities within Middlesex County, including the cities of Newton and Waltham, and the towns of Belmont, Arlington, Lexington, and Watertown. All of the cities and towns are located in the Cambridge-Newton-Framingham MA Metropolitan Division (MD) (#15764); which is within the Boston-Cambridge-Quincy MA, NH Metropolitan Statistical Area (MSA)/Core Based Statistical Area (CBSA) (14460).

The Bank's 58 census tracts consist of 6 moderate-income, 27 middle-income, and 25 upper-income census tracts. Of the 6 moderate-income census tracts, 5 are located in Waltham, and 1 is located in Watertown. The Bank's main office and one of the other Belmont branches are in upper-income census tracts. The Bank's other Belmont branch and Watertown office are located in middle-income census tracts.

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas. The Bank did not change its assessment area since the previous evaluation.

To assess the Bank's lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data.

Table 2 – Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	58	0.0	10.3	46.6	43.1
Population by Geography	272,979	0.0	9.3	48.1	42.6
Owner-Occupied Housing by Geography	65,545	0.0	5.5	44.9	49.6
Business by Geography	23,142	0.0	7.0	46.9	46.1
Family Distribution by Income	66,500	15.1	15.6	20.4	48.9
Distribution of Low- and Moderate- Income Families throughout AA Geographies	20,443	0.0	14.5	55.0	30.6
HUD Adjusted MFI*: Cambridge-Newton-Framingham, MA MD–15764–			Median Housing Value (Middlesex County)		
(2009)		\$97,100	(2009)		\$358,90
(2010)		\$98,700	(2010)		\$384,00
(2011)		\$105,00	Unemployment Rate		
Households Below Poverty Level (2009)		7.4%	2010		7.0%

*MFI: Median Family Income

Source: 2000 U.S. Census data; HUD 2009, 2010; 2011 MFI; 2010; Moody's Economy.com; RECON; National Association of Realtors

Geographies

The Bank's assessment area is comprised of 58 contiguous census tracts located in Middlesex County, Massachusetts. There are no low-income tracts within the assessment area. The area is comprised of 6 moderate-, 27 middle-, and 25 upper-income census tracts in the Bank's delineated assessment area. Of the 6 moderate-income census tracts, 5 are located in Waltham, and 1 is located in Watertown. There are no branches located in the moderate-income census tracts.

Population

According to 2000 U.S. Census, the assessment area population is 272,979. As illustrated in Table 2, 48.1 percent of the total population resides in middle-income census tracts, 42.6 percent reside in upper-income, and 9.3 percent reside in the moderate-income census tracts. Census data also revealed 66,500 families within the Bank's assessment area. There are 20,443 (30.7 percent) low- and moderate-income families throughout the assessment area, with 55.0 percent residing in the middle-income tracts, 30.6 percent in upper-, and 14.5 percent in moderate-income census tracts.

Median Family Incomes

Consideration is given to the distribution of families by income level when compared to the adjusted Median Family Income (MFI). Table 2 reflects the MFI for Cambridge-Newton-Framingham MA MD in 2009 and 2010. MFI levels are determined by utilizing annually adjusted estimates provided by the Department of Housing and Urban Development (HUD). Income levels are determined as follows:

Low-income:	Less than 50% MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

Table 2 also shows that, based on these parameters, of the 66,500 families, there are 10,042 families (15.1 percent) considered low-income; 10,374 (15.6 percent) considered moderate-; 13,566 (20.4 percent) considered middle-; and 32,518 (48.9 percent) considered upper-income. There are 4,921 (7.4 percent) households living below the poverty level in the assessment area.

Housing

Housing units within the Bank's assessment area total 111,724, of which 65,582 (58.7 percent) are owner-occupied; 43,349 (38.8 percent) are occupied rental units; and 2,793 (2.5 percent) are vacant. Table 2 shows the distribution of all owner-occupied units by census tract: 3,605 (5.5 percent) are located in moderate-income tracts; 24,430 (44.9 percent) in middle-; and 32,510 (49.6 percent) in upper-income census tracts. Of the total housing units, 90,832 (81.3 percent) are 1-4 family dwellings, while 20,781 (18.6 percent) are multi-family units. Mobile home housing units, 111 (.01 percent), account for the remainder.

Housing Prices

According to regional economic conditions, a delayed recovery in the housing market is a major consideration. After a rebound in 2010, housing demand dropped again this year. According to the Massachusetts Association of Realtors, sales of existing single-family homes are down 16 percent from one year earlier, and the median sale price is down 3 percent.

Business Data

According to 2010 Dunn & Bradstreet Business Geodemographic Data, there are approximately 23,142 non-farm businesses and 318 farm businesses operating within the Bank's assessment area. The distribution of total non-farm businesses, by number, and by census tract, is as follows: 1,621, or 7.0 percent, are located in moderate-income census tracts; 10,863, or 46.9 percent, are located in middle-, and 10,658, or 46.1 percent, are located in upper-income census tracts.

When analyzed by size of business, there are 17,861 non-farm small businesses, or 77.2 percent, of all non-farm businesses with GARs of \$1million or less.

Community Contact

As part of the evaluation process, third parties that are active in community affairs are contacted to assess the housing and business needs in the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available. An interview was conducted with an individual representing an organization within the Bank's assessment area. The organization assists low- and moderate-income individuals with First Time Homebuyers (FTHBs) programs, affordable housing, and financial education classes. The contact indicated that local financial institutions actively sponsor FTHB seminars; however, more support is needed in sponsoring financial education classes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

ISB CRA evaluation procedures were utilized to assess the Bank's CRA performance. These procedures utilize both a Lending and Community Development Test. The Lending Test considers the institution's performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, geographic distribution of loans, lending to borrowers of different incomes and businesses of different sizes (borrower profile), and record of taking action in response to CRA complaints. The Community Development Test considers the number and amount of community development loans, qualified investments, and community development services.

LENDING TEST

Loan to Deposit (LTD) Ratio

The Bank's LTD ratio is considered more than reasonable. This performance criterion considers the Bank's size, financial condition, assessment area credit needs, general economic conditions, and seasonal variations, while determining the percentage of the Bank's deposit base that is reinvested in the form of loans.

The Bank's average LTD ratio for the preceding 15 quarters (December 31, 2007 to June 30, 2011) was 114.0 percent. During the review period, the LTD ratio reached a high of 132.6 percent as of September 30, 2008, and then experienced a steady decline to a low of 98.1 percent as of December 31, 2010. However, during the last two quarters, the ratio increased to 104.4 percent as of June 30, 2011. During this same time period, the Bank's total loans increased 27.0 percent, to \$414 million, while deposits increased 35.0 percent, to \$397 million. Management indicated that customer deposits continue to grow due, in part, to the public's cautious perspective towards large banks. Also, the Bank purchases and sells home mortgage loans. During this time period, loan sales net of purchases totaled 261, by volume, and approximately \$45 million by dollar amount.

Table 3 depicts the Bank's current LTD ratio, and four competitors operating within the Bank's assessment area.

Table 3 – Loan-to-Deposit Ratio (LTD) as of June 30, 2011				
Bank Name	Total Assets \$(000)	Net Loans \$(000)	Total Deposits \$(000)	Current LTD %
Leader Bank, N.A.	402,689	317,849	266,707	119.2
StonehamBank Co-operative	417,075	333,639	300,774	110.9
Belmont Savings Bank	549,751	414,343	396,856	104.4
Winchester Savings Bank	533,609	314,576	442,285	71.3
Watertown Savings Bank	1,047,184	569,589	937,982	60.7

Source: Uniform Bank Performance Report (UBPR).

Assessment Area Concentration

The Bank originated a majority of its home mortgage and small business loans, by number, within the assessment area. However, the overall dollar amount was less than 50 percent. As a reminder, more weight was assigned to the number of loans, and while the number of loans is positive, the dollar amount percentage is an area of concern.

As illustrated in Table 4, during 2009 and 2010, Belmont Savings Bank originated 473 home mortgage loans totaling approximately \$175 million. Of these loans, 59.0 percent, by number, and 47.4 percent, by dollar volume, were originated within the Bank's assessment area. During this same time period, the Bank originated 84 small business loans totaling \$16.7 million. Of these loans, 64.3 percent, by number, and 50.2 percent, by dollar amount, were originated within the Bank's assessment area.

Table 4 details the distribution of the Bank's home mortgage and small business loans inside and outside of the Bank's delineated assessment area.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009 Home Mortgage	163	60.4	107	39.6	270	50,918	55.7	40,432	44.3	91,350
2010 Home Mortgage	116	57.1	87	42.9	203	32,079	38.3	51,681	61.7	83,760
Subtotal	279	59.0	194	41.0	473	82,997	47.4	92,113	52.6	175,110
2009 Small Business	21	63.6	12	36.4	33	2,703	39.6	4,119	60.4	6,822
2010 Small Business	33	64.7	18	35.3	51	5,684	57.5	4,196	42.5	9,880
Subtotal	54	64.3	30	35.7	84	8,387	50.2	8,315	49.8	16,702
Grand Total	333	59.8	224	40.2	557	91,384	47.6	100,428	52.4	191,812

Source: HMDA LAR and CRA LR data 2009 and 2010.

Home Mortgage Lending

As depicted in Table 4, in 2009, the Bank originated 163 home mortgage loans totaling approximately \$51 million inside its assessment area, representing 60.4 percent by number, and 55.7 percent by dollar amount. In 2009, there were 342 lenders that reported home mortgage loan originations in the Bank's assessment area. Belmont Savings Bank was ranked 29th with a market share of .8 percent by number, and .7 percent by dollar amount. The Bank's market share was exceeded by larger national banks and mortgage companies operating within the Bank's assessment area. As a comparison, local financial institutions such as Leader Bank (ranked 13th) and Watertown Savings Bank (ranked 23rd) outperformed Belmont Savings Bank by market share. There were no substantial differences when analyzing the data by product type.

As depicted in Table 4, in 2010, the Bank originated 116 home mortgage loans, totaling approximately \$32 million inside its assessment area, representing 57.1 percent by number, but only 38.3 percent by dollar amount. Aggregate market share data was not available for market comparison in 2010. The decline was attributed to the weakened economic conditions in the assessment area, as well as the level of competition in the area.

A review of YTD 2011 data revealed that the Bank originated 29 home mortgage loans totaling approximately \$14.4 million inside its assessment area, representing 50.9 percent by number, and 39.9 percent by dollar amount. The lower volume of home mortgage lending activity, and the dollar volume, is the result of the current state of the economy, including stagnant home sales, as well as the Bank's shift in lending focus.

Small Business Lending

As illustrated in Table 4, in 2009, the Bank originated 21 small business loans totaling approximately \$2.7 million inside its assessment area, representing 63.6 percent by number, and 39.6 percent by dollar amount. In 2010, the Bank originated 33 small business loans totaling approximately \$5.7 million inside its assessment area, representing 64.7 percent by number, and 57.5 percent by dollar amount. The increase in number and dollar amount percentages is considered positive.

A review of the YTD 2011 data revealed that the Bank originated 16 small business loans totaling approximately \$2.2 million inside its assessment area, representing 72.7 percent by number, and 62.7 percent by dollar amount. The positive trend in 2010 and YTD 2011 reflects positively on the Bank, and reflects management's shift in lending focus.

Geographic Distribution

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment area. The primary focus of this analysis was to assess the Bank's loan dispersion in its assessment area, with emphasis placed on lending in the area's moderate-income census tracts. As indicated previously, there are no low-income census tracts within the Bank's assessment area. The geographic distribution of the Bank's home mortgage lending reflects reasonable dispersion throughout its assessment area. However, the geographic distribution of the Bank's small business lending reflects poor dispersion. Details of the Bank's home mortgage and small business lending geographic distribution are noted below.

Home Mortgage Lending

The Bank's geographic distribution of home mortgage loans reflects reasonable dispersion throughout its assessment area. As illustrated in Table 5, in 2009, the Bank originated seven loans in the moderate-income census tracts. The Bank's performance is slightly below both the 2009 aggregate market data, at 5.4 percent, and the percentage of owner-occupied housing units.

A review of the 2009 aggregate market share report revealed the Bank ranked 31st of 132 lenders, by number of loans, with a market share of .8 percent in the moderate-income census tracts within the assessment area. Much larger national and regional financial institutions and mortgage companies were ranked ahead of the Bank. However, Watertown Savings Bank (ranked 6th) and Leader Bank (ranked 20th) were ahead of Belmont Savings Bank.

In 2009, the Bank originated home mortgage loans in 47 of 58, or 81.0 percent, of its assessment area census tracts. Of the 11 tracts with no loans, 2 were moderate-income census tracts located in Waltham, (3685.00, and 3687.00). In 2010, the Bank originated home mortgage loans in 41 of 58, or 70.7 percent, of its assessment area census tracts. Of the 17 census tracts with no loans in 2010, the same 2 moderate-income tracts had no activity.

Mitigating the Bank's performance within the two moderate-income tracts is the low percentage of owner-occupied housing units. A review of the 2000 U.S. census data revealed the two Waltham census tracts had only 162 and 241 owner-occupied housing units, respectively. Therefore, the level of opportunity for home mortgage lending in these moderate-income census tracts was limited.

Table 5 depicts the distribution of home mortgage loans by income category of the census tracts.

Table 5 – Distribution of Home Mortgage Loans by Income Category of the Census Tract								
Census Tract Income Level	% of Total Owner-Occupied Housing Units		2009 Aggregate Lending Data		2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%	#	%	#	%
Moderate	12,073	5.4	744	5.4	7	4.3	9	7.8
Middle	55,429	45.0	6,246	44.9	82	50.3	50	43.1
Upper	44,222	49.6	6,900	49.7	74	45.4	57	49.1
Total	111,724	100.0	13,890	100.0	163	100.0	116	100.0

Source: U.S. Census (2000); 2008 and 2009 HMDA LARs; and 2009 peer mortgage data.

YTD 2011 revealed the Bank did not originate a home mortgage loan in a moderate-income census tract in its assessment area. The lack of loans was attributed to the limited number of owner-occupied units, economic conditions, and competition from other financial institutions.

Small Business Lending

Overall, the geographic distribution of small business loans reflects poor dispersion throughout the Bank's assessment area. Table 6 illustrates the distribution of small business loans by income category of the census tract.

Table 6 – Distribution of Small Business Loans by Income Category of the Census Tract								
Census Tract Income Level	2009 Commercial Businesses		2010 Commercial Businesses		2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%	#	%	#	%
Moderate	2,140	7.6	1,621	7.0	0.0	0.0	1	3.0
Middle	13,366	47.5	10,863	46.9	14	66.7	21	63.7
Upper	12,618	44.9	10,658	47.1	7	33.3	11	33.3
N/A	-0-	0.0	-0-	0.0	-0-	0.0	-0-	0.0
Total*	28,124	100.0	23,142	100.0	21	100.0	33	100.0

Source: Based on 2009 and 2010 Dun & Bradstreet; 2009 and 2010 Bank small business lending records

In 2009, the Bank did not originate a small business loan in the six moderate-income census tracts in its assessment area. In 2010, the Bank originated only one small business loan in the moderate-income census tracts. In 2009 and 2010, the percentage of commercial businesses located in the moderate-income census tracts was 7.6 percent, and 7.0 percent, respectively.

YTD 2011 data again revealed the Bank did not originate a small business loan in the moderate income census tracts within its assessment area.

In 2009, the Bank originated a small business loan in only 9 of 58 census tracts. In 2010, the Bank originated a small business loan in 17 of 58 census tracts. The poor small business lending is somewhat mitigated by the following factors: (1) the Bank's primary lending focus during 2009 and part of 2010 was home mortgage loans, (2) the Bank did not have small business lenders on staff to develop small business lending; and (3) the Bank's resources and lending philosophy did not foster small business lending during the early portion of the evaluation period.

Borrower Profile

The distribution of loans predicated on borrower income and business revenue was reviewed to determine the extent to which the Bank addressed the credit needs of its residents and small business customers. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Lending

Home mortgage lending data was reviewed to assess how well the Bank is addressing the credit needs of its assessment area residents. Emphasis was placed on the Bank's record of lending to low- and moderate-income borrowers. As depicted in Table 7, the Bank's performance reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) given the product lines offered by the Bank.

Table 7 - Distribution of Home Mortgage Loans by Borrower Income								
Borrower Income Level	Family Distribution by Income Level		2009 Aggregate Lending Data		2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%	#	%	#	%
Low	10,040	15.1	479	3.4	10	6.1	3	2.6
Moderate	10,403	15.6	1,891	13.6	26	15.9	21	18.1
Middle	13,575	20.4	3,549	25.6	42	25.8	27	23.3
Upper	32,482	48.9	7,700	55.4	78	47.9	61	52.6
N/A	-0-	0.0	271	2.0	7	4.3	4	3.4
Total	66,500	100.0	13,890	100.0	163	100.0	116	100.0

Source: 2000 United States Census data; 2009 and 2010 HMDA LARs; and 2009 peer mortgage lending data.

In 2009, 6.1 percent of the Bank's home mortgage loans were granted to low-income borrowers, exceeding the 2009 aggregate market share. Also in 2009, 15.9 percent of home mortgage loans were extended to moderate-income borrowers; again exceeding the 2009 aggregate market share. The Bank's 2009 performance was below the percentage of low-income family households, at 15.1 percent. It is not expected that lending to borrowers in this category would be commensurate with the population as almost half of all low-income family households are below the poverty level. Lending to moderate-income borrowers was in line with the percentage of moderate-income family households at 15.6 percent.

In 2009, the Bank ranked 17th out of 99 reporting lenders with a market share of 1.7 percent, by number, relative to home mortgage lending to low-income borrowers in its assessment area. The Bank's performance by market share was exceeded by national banks and mortgage companies, as well as Watertown Savings Bank (ranked 7th).

In 2009, the Belmont Savings Bank ranked 26th out of 172 lenders, with a market share of 1.1 percent, by number, within the moderate-income tracts. The Bank was outperformed by national banks and mortgage companies, as well as two local banks, Leader Bank (ranked 14th) and Watertown Savings Bank (ranked 15th).

In 2010, the number of loans to low- and moderate-income borrowers decreased. The decline is attributed to current economic conditions and competition. Aggregate data was not available for 2010.

The YTD 2011 data showed the Bank did not originate a home mortgage loan to a low-income borrower; however, the Bank did originate a home mortgage loan to six moderate-income borrowers. Home mortgage lending remains sluggish due primarily to the current economic conditions. The level of competition is also a factor in the Bank's performance as well as a shift in lending focus.

Small Business Lending

The Bank demonstrated reasonable penetration to businesses of different revenue sizes indicating that the financial institution did an adequate job of serving the credit needs of smaller businesses in the assessment area in 2009 and 2010. The data utilized for this analysis is presented in Table 8.

Table 8 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)								
Gross Annual Revenues (000s)	2009 Commercial Businesses		2010 Commercial Businesses		2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%	#	%	#	%
≤ \$1,000	21,417	76.2	17,861	77.2	11	52.4	25	75.8
> \$1,000	1,767	6.3	1,297	5.6	1	4.8	8	24.2
Revenues N/A	4,940	17.5	3,984	17.2	9	42.8	-0-	0.0
Total	28,124	100.0	23,142	100.0	21	100.0	33	100.0

Source: Dun and Bradstreet 2009 and 2010; 2009 and 2010 Bank Small Business Lending Records

As detailed in Table 8, in 2009, the Bank originated 11 small business loans, or 52.4 percent, to businesses in its assessment area with GARs of \$1 million or less. The Bank's performance was below the percentage of 2009 businesses with GARs of \$1 million or less in the Bank's assessment area. In 2010, the Bank's performance improved, both in terms of the number of loans, but also the percentage. The Bank's percentage was comparable with the percentage of small businesses in the area.

The Bank's small business lending performance was also analyzed by loan size. This analysis is predicated on the premise that smaller businesses and start-ups typically have a need for smaller dollar loans. Table 9 indicates the Bank has an adequate record of granting smaller dollar business loans.

Table 9 – Distribution of Small Business Loans by Loan Size				
Loan Size (000s)	2009 Bank Lending Data		2010 Bank Lending Data	
	#	%	#	%
≤ \$100	17	81.0	21	63.6
> \$100 ≤ \$250	-0-	0.0	6	18.2
> \$250 ≤ \$1,000	4	19.0	6	18.2
Total	21	100.0	33	100.0

Source: 2009 and 2010 Bank small business lending records

As illustrated, in 2009, 81.0 percent of the Bank's small business loans were originated in amounts of \$100,000 or less. This percentage is good and reflects that the Bank is likely serving smaller businesses. In 2010, the Bank originated 63.6 percent of the small business loans in its assessment area in amounts of \$100,000 or less, and 18.2 percent in amounts between \$100,000 and \$250,000. The combined percentage, at 81.8 percent, again reflects the Bank's efforts in serving smaller businesses.

FAIR LENDING

Significant violations of the Federal Reserve Board's Regulation B – Equal Credit Opportunity (ECOA) were identified during the compliance examination. However, the Bank's overall CRA rating was not negatively impacted. The effect of these violations on the assessment area was limited, and management committed to corrective action.

COMMUNITY DEVELOPMENT TEST

The Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area. The Bank's performance within this test was influenced primarily by its community development lending and community development services, and to a lesser extent qualified investments.

Community Development Lending

As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing small businesses, or small farms, or activities that revitalize or stabilize low- and moderate-income geographies. In addition, unless for a multi-family dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

During the evaluation period (2008 – YTD 2011), the Bank extended \$6.3 million in community development loans. The following is a summary of the Bank's lending performance.

In 2008, Belmont Savings Bank originated two mortgages to organizations that provide transitional housing to low- and moderate-income individuals. The mortgages totaled \$978,400. Given the affluent nature of much of the Bank's assessment area, housing for low- and moderate-income individuals is limited. The affordable housing units are essential for the assessment area.

In 2009, the Bank extended a \$3 million line of credit to a local non-profit agency dedicated to providing services to individuals with special needs. The majority of these individuals are low- or moderate-income. The line of credit enabled the agency to expand its operations and to provide greater services to its clients.

In 2010, the Bank originated a commercial real estate loan in support of a Chapter 40B project for \$9.1 million for the construction of a 37-unit apartment building, in which approximately 11 percent of the units were designated as affordable housing. These units are designated for low- and moderate-income individuals and families. In total, \$980,000 was assigned as community development.

In 2011, the Bank originated two commercial real estate loans in support of Chapter 40B projects for \$8.4 million and \$4.7 million, respectively, for the construction of 44-unit and 16-unit apartment buildings, of which 9 percent and 12.5 percent of the units, respectively, were designated as affordable housing. These units were designated for low- and moderate-income individuals and families. In total, approximately \$1.4 million from these two loans were assigned as community development.

Other Community Development Lending Activity

In 2008 and 2010, the Bank originated two letters of credit totaling \$441,918 to an organization that completes construction rehabilitation projects for a local non-profit agency. The agency provides affordable housing and services to low- and moderate-income individuals and families.

The non-profit agency serves communities in and around the assessment area. It should be noted that the Bank had not yet advanced any funds to the organizations and, as result, the letters of credit were not included in the community development loan total.

In addition, in 2009, the Bank made a \$375,000 loan with a community development purpose. However, the loan was HMDA reportable and could not be included in the total. The loan was made to a non-profit organization that provides services to individuals with mental illnesses and emotional disturbances. The organization also provides its clients with housing. The loan proceeds were used to purchase a two-family home that will house eight residents. The majority of the clients served by the non-profit organization are low- or moderate-income.

Qualified Investments

As defined in the CRA Regulation, a qualified investment is a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

The Bank's qualified investments for the evaluation period total \$143,338. Based upon the institution's financial ability, its capacity to invest, and the opportunities available within the assessment area, the overall level of investments supports the Bank's responsiveness to the needs of the assessment area. The Bank's qualified investments are described below.

Belmont Savings Bank deposited funds in a Certificate of Deposit at a certified community development financial institution (CDFI). As of June 30, 2011, the value of the Bank's investment is \$119,321.

The remaining investments consist of charitable contributions and grants. During the evaluation period, the Bank extended \$24,017 in qualified contributions to organizations that provide community development services to the assessment area's low- and moderate-income population, with emphasis on affordable housing, youth, and health and human services.

In 2008, 2009, 2010, and YTD 2011 the Bank awarded \$9,850; \$8,396; \$5,000; and \$771, respectively. As reflected, the overall trend is negative, and has been influenced by economic conditions and opportunities. The following is a summary of the organizations that received donations and grants.

Consumer Credit Counseling Services (CCCS):

This non-profit organization provides education and counseling to families and individuals experiencing financial hardship. CCCS offers services including seminars on budgeting, money management, and credit histories. The majority of the clients served are low- or moderate-income.

Caritas Communities:

This non-profit agency provides affordable housing in the form of single room occupancy dwellings. The agency owns and manages lodging houses in Arlington. Caritas is committed to affordable housing. The average resident works in a low paying service sector job and generally lacks medical insurance. The vast majority of the residents are low- or moderate-income.

Springwell Money Management:

Springwell is a private, non-profit agency whose mission is to help seniors, and individuals living with disabilities, remain in their own homes. The group also provides financial education services, including budgeting, bill paying, and personal finances. The majority of the clients live on a fixed-income and many are considered either low- or moderate-income.

Waltham Partnership for Youth:

This organization has a mission to enhance the quality of lives of Waltham's youths. Waltham contains moderate-income census tracts. The majority of the children served are low- or moderate-income.

Community Development Services

The CRA regulation defines a community development service as a service that is primarily for a community development purpose, and is related to the provision of financial services. The Bank provides community development services by providing financial expertise to community organizations, and by sponsoring or participating in educational seminars and other services. The Bank's community development services demonstrate an adequate responsiveness to the needs of the assessment area. The Bank's community development services are detailed below.

Officer Involvement in Community Organizations:

The Bank's officers and employees are involved with some community-based organizations that address issues such as affordable housing and community development. Through their involvement, the Bank's staff lends its technical expertise, experience, and judgment to these organizations. The following is a summary of the Bank's involvement.

Waltham Alliance to Create Housing (WATCH):

WATCH is a non-profit community development corporation (CDC) in Waltham. The organization's mission is to build, preserve, and promote affordable housing and to enhance economic opportunities, civic participation, and leadership for low- and moderate-income families in the Waltham area. The Bank's Senior Vice President and Chief Lending Officer served on the Board of Directors and Finance Committee of this organization during the evaluation period.

Watertown Community Housing (WCH):

The mission of this organization is to promote, preserve, and develop affordable housing in Watertown, and to improve local neighborhoods. The organization was formed by a group of neighbors concerned about the town's soaring housing costs, and aims to address the needs of the Watertown residents who are moderate-income or below. A Vice President serves on the Board of Directors, and is on the Planning Committee of this organization.

Springwell Money Management:

Springwell is a private, non-profit agency whose mission is to help seniors and individuals living with disabilities remain in their own homes. The group also provides financial education services, including budgeting, bill paying, and personal finances. The majority of the clients live on a fixed-income and many are considered either low- or moderate-income. A branch manager serves on the Board of this organization.

Educational Seminars and Other Services:

The Bank participated in three FTHB seminars, and four other sessions in conjunction with WATCH. A Bank Vice President presented one seminar in French and one in Spanish.

In 2011, the Bank sponsored a buyer/seller seminar in conjunction with Century 21, at its Cushing Square Branch.

The Bank participates in a program developed by Genworth Financial to boost community bank involvement in the Hispanic FTHB market. The program was developed to help stimulate homeownership in the Hispanic community.

The Bank participates in the Interest on Lawyers Trust Accounts (IOLTA) program, which permits lawyers to transfer funds into interest bearing trust accounts. The interest income generated from the IOLTA is donated to the Massachusetts Bar Association to provide legal assistance to low-income individuals.

The Bank participates in the Massachusetts Community and Banking Council's (MCBC) Basic Banking in Massachusetts program. This state-wide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

APPENDIX A

Fair Lending Policies and Procedures

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank and mortgage company received from minority applicants. For the period reviewed, the Bank received a total of 20 HMDA reportable mortgage applications from racial minority groups within its assessment area.

Refer to the following Table 10 for further details.

Table 10-MINORITY APPLICATION FLOW								
RACE	Bank 2009		2009 Aggregate Data		Bank 2010		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/Alaska Native	1	0.5	24	0.1	0	0.0	1	0.3
Asian	4	2.1	2,444	9.8	2	1.4	6	1.8
Black/ African American	3	1.6	146	0.5	1	0.7	4	1.2
Hawaiian/Pac Isl.	0	0.0	16	0.1	0	0.0	0	0.0
2 or more Minority	0	0.0	6	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	5	2.7	506	2.0	4	2.7	9	2.7
Total Minority	13	6.9	3,142	12.5	7	4.8	20	6.0
White	158	84.0	15,342	61.2	123	83.7	281	83.9
Race Not Available	17	9.1	6,583	26.3	17	11.5	34	10.1
Total	188	100.0	25,067	100.0	147	100.0	335	100.0
ETHNICITY								
Hispanic or Latino	0	0.0	250	1.0	1	0.7	1	0.3
Not Hispanic or Latino	168	89.4	17,985	71.8	122	83.0	290	86.6
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.6	209	0.8	5	3.4	8	2.4
Ethnicity Not Available	17	9.0	6,623	26.4	19	12.9	36	10.7
Total	188	100.0	25,067	100.0	147	100.0	335	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. According to 2000 Census Data, the Bank's assessment area contained a total population of 272,979 individuals, 14.3 percent of which is representative of various racial and ethnic minorities.

While the level of applications the Bank received from minority groups in the assessment area was below the minority applications received by the aggregate market, a higher percentage of applications resulted in originations. Of the 20 applications the Bank received over the two year period, 18, or 90.0 percent resulted in a loan origination. According to the 2009 aggregate data, 2,455 or 78.1 percent of the 3,142 applications resulted in originations.

APPENDIX B

GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract in which it is located.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Metropolitan Statistical Area (MSA/MD): The Metropolitan Statistical Areas have at least one urbanized area of 50,000 or more population. There are 11 instances (Boston, Chicago, Dallas, Detroit, Los Angeles, Miami, New York, Philadelphia, San Francisco, Seattle, and Washington) where a Metropolitan Statistical Area containing a single core with a population of 2.5 million or more has been subdivided to form smaller groupings of counties referred to as **Metropolitan Divisions** (One or more large population centers and adjacent communities that have a high degree of economic and social integration.) Each MD must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MD comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MDs are composed of cities and towns rather than whole counties.

Combined Statistical Area (CSA): The larger area, of which MSAs are component parts.

Consolidated Metropolitan Statistical Area (CMSA): The larger area, of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX C

INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX D

STANDARD PE LANGUAGE

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 2 Leonard Street, Belmont, Massachusetts."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.